

## Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 EB-07 AGR-05 NEAE-00 AID-05 IGA-01 L-03

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P 311605Z JUL 75

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC PRIORITY 5533

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E.O. 11652: NA

TAGS: EFIN EG

SUBJECT: EGYPTIAN ARREARAGES

REF: STATE 177768

SUMMARY: GOE STARTED 1975 WITH CLEAN SLATE AS FAR AS PAYMENTS TO USG FOR OUTSTANDING DEBT ARE CONCERNED. CURRENT ARREARAGE PROBLEM HAS ARISEN BECAUSE OF TEMPORARY SHORTAGE OF HARD CURRENCY TO SERVICE DEBT. GOE MADE SUBSTANTIAL PAYMENTS ON CCC AND PL 480 ARREARAGES IN JUNE AND JULY AND EMBASSY BELIEVES THAT SITUATION WILL CLEAR ITSELF UP IN NEXT FEW MONTHS  
END SUMMARY.

1. EGYPTIANS HAVE MADE FOLLOWING PAYMENTS IN JULY ON ARREARAGES DESCRIBED PARA 2 REFTTEL:

A. UNDER GSM-3 GOE PAID 774,414.49 DOLLARS REPRESENTING PAYMENT DUE APRIL 1, 1975 AND 8,475,665.00 DOLLARS REPRESENTING PAYMENT DUE JAN 1, 1975.

B. UNDER PL 480 GOE PAID 251,927.66 DOLLARS REPRESENTING PAYMENT DUE ON APRIL 1, 1975 AND 143,205.34 DOLLARS REPRESENTING PAYMENT DUE ON APRIL 1, 1975. TOTAL ARREARAGE THEREFORE REDUCED BY 9,645,212.49 DOLLARS TO 6,184,411.11 DOLLARS.

2. AS DEPT IS AWARE GOE HAS FROM TIME TO TIME BEEN IN ARREARS  
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ON PAYMENTS FOR INDEBTEDNESS TO US. WE HAVE TAKEN MATTER

OF ARREARS UP WITH EGYPTIANS ON SEVERAL OCCASIONS OVER PAST YEAR AND IN ALL CASES THEY HAVE RESPONDED POSITIVELY TO OUR REQUESTS TO PAY. PREVIOUS COMPOSITION OF ARREARS REFLECTED MAINLY BUREAUCRATIC SLOWNESS IN PROCESSING PAYMENT REQUESTS. AS OF JAN 1975 EGYPTIANS WERE CURRENT ON ALL DOLLAR AND POUND ARREARAGES.

3. CURRENT ARREARAGES REPRESENT TEMPORARY LACK OF HARD CURRENCY WITH WHICH TO SERVICE DEBT. VERY SHORT TERM COMMERCIAL BANKING CREDIT LIABILITIES ATE UP ALL AVAILABLE HARD CURRENCY OVER PAST SIX MONTHS. THIS HAS BEEN TRADITIONAL EGYPTIAN PAYMENTS PROBLEM IN THE PAST AND IT WILL LIKELY CONTINUE BE PAYMENTS PROBLEM IN THE FUTURE.

4. AS DEPT AND AGRICULTURE ARE NOW AWARE, EGYPTIANS HAVE MADE RATHER SUBSTANTIAL PAYMENTS ON THEIR OUTSTANDING CCC (BOTH GSM3 AND GSM4) AND PL 480 COMMITMENTS DUE IN THE MONTHS OF JUNE AND JULY. CCC PAYMENTS STATEMENT DATED JUNE 17, 1975 AND STATEMENT DATED JUNE 30, 1975 SHOW MORE THAN 600,000 DOLLARS WERE PAID ON GSM-4 ARREARAGES. IN ADDITION, DURING MONTH OF JULY GOE MADE PAYMENTS OF 9,645,212.49 (SEE PARA 1) ON THEIR OUTSTANDING AND CONSOLIDATED AND PL 480 DEBT. GOE ALSO PAID EXIM 1971 CONSOLIDATED PAYMENT IN EARLY JUNE.

5. EMBOFF APPROACHED NATIONAL BANK OF EGYPT PRESIDENT HAMID SAYEH JULY 31 RE OUTSTANDING GSM-4 LETTERS OF CREDIT. SAYEH TOLD EMBOFF THAT, WHILE RECENTLY PAYMENTS HAD BEEN PROBLEM, SITUATION HAD NOW BEEN REMEDIED AND HE DID NOT UNDERSTAND WHY THERE SHOULD BE ANY OUTSTANDING CCC LETTERS OF CREDIT. HE THEN CALLED HEAD OF FOREIGN CREDIT DIVISION AND INSTRUCTED HIM TO PREPARE STATUS REPORT ON ALL CCC LETTERS OF CREDIT WHICH WILL BE MADE AVAILABLE TO EMBASSY ON AUGUST 4. EMBASSY BELIEVES CURRENT PAYMENTS DIFFICULTY WILL CLEAR ITSELF UP IN SHORT PERIOD.

6. IN DISCUSSION WITH HEAD OF FOREIGN CREDIT DEPARTMENT FOLLOWING MEETING WITH SAYEH, WE WERE INFORMED THAT CCC HAS TURNED DOWN REQUEST FOR TWO TOBACCO LETTERS OF CREDIT FROM BANK OF AMERICA AND CHEMICAL BANK OF NY. BASIS LIMITED OFFICIAL USE

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FOR REFUSAL WAS THAT NATIONAL BANK HAS EXHAUSTED ITS QUOTE QUOTA UNQUOTE FOR CCC LETTERS OF CREDIT. SUPPLIERS ADVISED NATIONAL BANK THAT CCC WOULD OPEN LETTERS OF CREDIT IN BANK OF ALEXANDRIA OR BANK MISR. NATIONAL BANK POINTS OUT THAT UNDER CURRENT BANKING REGULATION, IT IS ONLY BANK ELIGIBLE TO DEAL IN FOREIGN EXCHANGE AND, THEREFORE, ALL CCC LETTERS OF CREDIT MUST BE OPENED THROUGH NATIONAL BANK. NATIONAL BANK INFORMED US THAT IT HAD OPENED ON JULY 28 TWO NEW LETTERS OF

CREDIT WITH MARINE MIDLAND BANK AND FIRST NATIONAL CITY BANK,  
BOTH FOR THE SUPPLY OF TOBACCO AND REQUESTED THEY BE PROCESSED  
NORMALLY. EMBASSY WOULD APPRECIATE CCC LOOKING INTO STALLED  
LETTERS OF CREDIT. (FYI- UNDER NEW BANKING LAW PASSED BY  
ASSEMBLY JULY 28, OTHER BANKS WILL BE ABLE TO DEAL  
IN FOREIGN CURRENCY. HOWEVER, LAW HAS NOT YET GONE INTO  
EFFECT. END FYI)  
EILTS

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** DEBTS, BALANCE OF PAYMENTS  
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**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** ShawDG  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
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**Previous Handling Restrictions:** n/a  
**Reference:** 75 STATE 177768  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** ShawDG  
**Review Comment:** n/a  
**Review Content Flags:**  
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**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** EGYPTIAN ARREARAGES  
**TAGS:** EFIN, EG, US  
**To:** STATE  
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